

Congress of the United States
Washington, DC 20515

June 7, 2018

The Honorable Rick Perry
Secretary
U.S. Department of Energy (DOE)
1000 Independence Ave, SW
Washington, DC 20585

Secretary Perry:

We write regarding our concerns with President Trump's directive on "Fuel-Secure Power Facilities," the draft "Grid Memo" to the National Security Council, and FirstEnergy Solutions' bailout request. We ask that you cease the false narrative that bailing out uneconomic energy sources in competitive markets is needed for electrical grid resilience, and to cease attempting to use emergency authorities to intervene in planned power plant retirements. Using emergency authorities for unsubstantiated bailouts would be unprecedented intervention in U.S. energy markets at great taxpayer expense.

Last year, under your direction, the Department of Energy tried to use Section 403 authority under the Department of Energy Organization Act to initiate a rulemaking at the Federal Energy Regulatory Commission (FERC). This attempted rulemaking was to create new rules that would provide cost recovery to merchant coal and nuclear plants, asserting that they are essential to resiliency.ⁱ FERC unanimously voted to terminate that proposal, noting that the evidence did not support the Department's arguments. FERC wrote, "[T]he Proposed Rule's on-site 90-day fuel supply requirement would appear to permit only certain resources to be eligible for the rate, thereby excluding other resources that may have resilience attributes."ⁱⁱ

Since then, FirstEnergy Solutions sent a request asking that the Department invoke Federal Power Act Section 202(c) to find an emergency condition within the grid footprint of PJM Interconnection, LLC, a grid operator, to prevent PJM from retiring plants. FirstEnergy Solutions cited system resiliency as the reason to honor its request.ⁱⁱⁱ When asked to comment, Assistant Secretary Bruce Walker stated that DOE would never use an emergency order under Section 202(c) Federal Power Act to prop up uneconomic generators.^{iv} Republican FERC Commissioner Neil Chatterjee also explicitly said that retirements would not impinge on resilience.^v PJM Interconnection's own analysis found that reliability could be maintained even in the face of planned coal and nuclear retirements.^{vi}

However, despite the earlier repudiation from FERC of your section 403 request, and despite the rejection -- by both PJM and your own assistant secretary -- of the narrative that these bailouts are needed for grid resilience, you have entertained the idea of FirstEnergy's request in multiple congressional hearings, indicating a concern about nuclear and coal plant closures and explicitly citing the implications for the resilience and reliability of the grid. You also indicated a willingness to consider authorities other than 202(c), such as the Defense Production Act, to bail

out these plants. Continuing this narrative is disingenuous, and while convenient for politically appealing the current Administration's preferred energy sources, in real terms it would unnecessarily raise costs to customers and undermine the adoption of renewable energy sources.

More recently, President Trump issued a directive asking your Department to intervene in impending "fuel-secure power facilities" retirements.^{vii} A corresponding DOE draft "Grid Memo" offering a plan to implement the directive was circulated before the National Security Council.^{viii} It again offers a hypothetical doomsday energy scenario as justification to use emergency authorities to artificially prop up inefficient and uneconomic coal or nuclear power in the interest of national security. The memo failed to offer plausible support that such emergency bailouts are necessary for electrical grid resilience or national security. It also failed to rebut grid experts and grid operators' assessments, as well as widespread industry views, that such bailouts are not only unnecessary but in fact detrimental to wholesale electricity markets.^{ix} Nor did it adequately explain how the proposed policy would be a legitimate use of the Defense Production Act and the Federal Power Act.

Using emergency authorities to bail out energy resources that are not critical to grid resilience and reliability is irresponsible at best, and sets a dangerous precedent of abusing these emergency authorities to bail out any pet project or pet energy source. Given the lack of any specific evidence suggesting that the affected closing plants are needed, the precedent could later be used to prop up *any* energy source that is uncompetitive in competitive markets. The President of the Electricity Consumers Resource Counsel, an association of large industrial electricity users, said that the latest DOE proposal would "devastate U.S. manufacturing."^x The CEO of Exelon, the largest nuclear generator in the U.S., said the retirement of coal and nuclear plants do not constitute a grid emergency that warrants urgent intervention from the federal government.^{xi}

Low-cost natural gas is squeezing out less cost-efficient energy sources in competitive markets. Traditionally, it has been the role of states to pursue specific energy portfolio policies. Changing that dynamic and *federally* subsidizing expensive, less cost-efficient energy sources without a well-justified policy rationale has the potential to raise the cost of electricity by staggering sums. The Department's section 403 proposal would have increased costs by \$8 billion annually in PJM alone.^{xii}

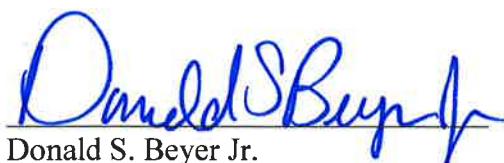
Grid operators must resort to more expensive and less cost-efficient resources such as coal when electricity demand is high. That does not mean such resources are essential to resilience, rather that they are more expensive and therefore used only when essential.^{xiii} In contrast, winter winds ensure that wind energy is a strong performer during severe winter weather, and wind has contributed more than its expected share to PJM's grid during the recent cold snaps over the past few winters.^{xiv} Reducing physical and market barriers to wind resources in regions like PJM's footprint could help to cost-effectively and reliably operate the grid during extreme winter weather, but your department is apparently not looking to eliminate such barriers.

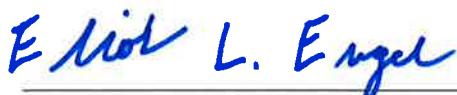
Instead, the Department is proposing budget cuts that undermine resiliency tools, such as energy storage.^{xv} Energy storage helps balance electricity demand with supply -- regardless of the energy source.

Your department is also ignoring the true cause of most disruptions to our electricity system: downed power lines. Customers are far more likely to suffer power outages from downed lines on the distribution system, with more than 6 million miles of wires and poles carrying power.^{xvi} According to a January 2017 DOE report, 90 percent of electric power interruptions stem from disruptions on the distribution system.^{xvii} The Department could assist by supporting distributed energy resources sited near customers, such as customer-sited solar, batteries and electric vehicle chargers, to mitigate these distribution failures.^{xviii}

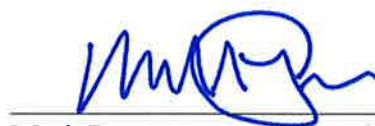
We ask you to reject the political narrative and pressure to adopt policies that artificially and unnecessarily prop up uneconomic energy sources, which will raise costs on American taxpayers. We stand ready to work with you to more effectively enable distributed energy sources sited near customers and adequately fund technologies like energy storage that help with resilience.

Sincerely,

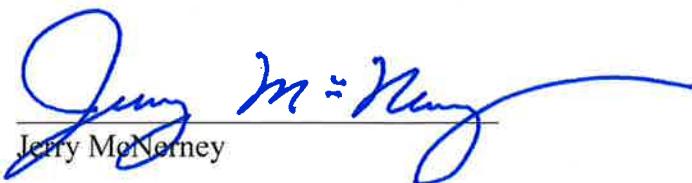

Donald S. Beyer Jr.

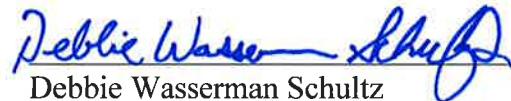


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Mark Pocan


Jerry McNeany


Debbie Wasserman Schultz


Grace F. Napolitano


Daniel W. Lipinski


Jared Huffman


Earl Blumenauer

Alan Lowenthal

Alan Lowenthal

Lucille Roybal-Allard

Lucille Roybal-Allard

Mike Quigley

Mike Quigley

James P. McGovern

Mark DeSaulnier

Mark DeSaulnier

David E. Price

David E. Price

Kathy Castor

Kathy Castor

Jackie Speier

Jackie Speier

Eddie Bernice Johnson

Eddie Bernice Johnson

Pramila Jayapal

Pramila Jayapal

Jan Schakowsky

Jan Schakowsky

Anna G. Eshoo

Anna G. Eshoo

Gene Green

Gene Green

Diana DeGette

Diana DeGette

Grace Meng

Paul D. Tonko

Paul D. Tonko



Adriano Espaillat



Joseph P. Kennedy, III



Barbara Lee

Barbara Lee



Robert C. "Bobby" Scott



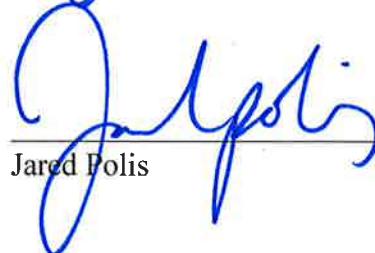
Peter Welch



Luis V. Gutiérrez



Suzanne Bonamici



Jared Polis



Joe Crowley

Joe Crowley



Ted W. Lieu

Ted W. Lieu



Zoe Lofgren

Zoe Lofgren

- ⁱ <https://www.energy.gov/articles/secretary-perry-urges-ferc-take-swift-action-address-threats-grid-resiliency>
- ⁱⁱ <https://www.ferc.gov/CalendarFiles/20180108161614-RM18-1-000.pdf>
- ⁱⁱⁱ <https://statepowerproject.files.wordpress.com/2018/03/fes-202c-application.pdf>
- ^{iv} <https://www.utilitydive.com/news/doe-would-never-use-emergency-order-for-uneconomic-plants-walker-says-1/517455/>
- ^v <https://www.politico.com/states/new-york/newsletters/politico-new-york-energy/2018/05/09/chatterjee-raises-pipeline-concerns-062277>
- ^{vi} <http://www.pjm.com/~/media/library/reports-notices/special-reports/20170330-pjms-evolving-resource-mix-and-system-reliability.ashx>; <http://www.pjm.com/~/media/about-pjm/newsroom/2018-releases/20180601-pjm-statement-on-potential-doe-market-intervention.ashx>
- ^{vii} <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-fuel-secure-power-facilities/>
- ^{viii} <https://www.eenews.net/greenwire/stories/1060083235/search?keyword=coal>
- ^{ix} <http://www.pjm.com/~/media/about-pjm/newsroom/2018-releases/20180601-pjm-statement-on-potential-doe-market-intervention.ashx>
- ^x <https://www.nytimes.com/aponline/2018/06/04/us/politics/ap-us-trump-coal-plants.html>
- ^{xi} <https://www.utilitydive.com/news/exelon-ceo-no-grid-emergency-to-justify-doe-coal-nuke-bailout/525042/>
- ^{xii} <http://blogs.edf.org/energyexchange/files/2018/04/Joint-EDF-NRDC-Letter-to-DOE-re-FES-202-Request.pdf>;
http://energyinnovation.org/wp-content/uploads/2017/12/20171025_Resilience-NOPR-Cost-Research-Note-UPDATED.pdf
- ^{xiii} <http://www.pjm.com/~/media/library/reports-notices/weather-related/20180413-pjm-response-to-netl-report.ashx?la=en>
- ^{xiv} <http://awea.files.cms-plus.com/AWEA%20Cold%20Snap%20Report%20Final%20-%20January%202015.pdf>
- ^{xv} <https://www.energy.gov/cfo/downloads/fy-2019-budget-justification>
- ^{xvi} https://www.energy.gov/sites/prod/files/2015/04/f22/QER%20ch3%20final_0.pdf
- ^{xvii} <https://www.energy.gov/sites/prod/files/2017/01/f34/Chapter%20IV%20Ensuring%20Electricity%20System%20Reliability%2C%20Security%2C%20and%20Resilience.pdf>
- ^{xviii} <https://gridprogress.files.wordpress.com/2018/05/customer-focused-resilience-final-050118.pdf>